DEBTOR: A.H.E.R
CASE #: 98-25773 through 98-25777

MONTHLY OPERATING REPORT

ACCRUAL BASIS - 6

The debtor in possession must complete the reconciliation below for each bank account, including all general, payroll and tax accounts, as well as all saving and investment accounts, money market accounts, certificates of deposit, government obligations, etc. Accounts with restricted funds should be identified by placing an asterisk next to the account number. Attach additional sheets if necessary.

Month: November 1998

BANK RECONCILIATIONS:				
BANK: ACCOUNT NUMBER: PURPOSE:	ACCOUNT #1	ACCOUNT #2	ACCOUNT #3	ACCOUNT #4
Balance Per Bank Statement				
+ Total deposits not Credited				
- Outstanding checks				
+/- Other reconciling items				
Month End Balance Per Books				
Number of Last Check Written				

****COPIES OF BANK STATEMENTS ATTACHED. Reconciliations are in progress.*

INVESTMENT ACCOUNTS				
BANK: ACCOUNT NUMBER: NAME:	Date of Purchase	Type of Instrument	Purchase Price	Current Value
TOTAL INVESTMENTS				

****PLEASE REFER TO FINANCIAL STATEMENTS AND ATTACHED BANK STATEMENTS.*

CASH:	
Currency on Hand	

****PLEASE REFER TO FINANCIAL STATEMENTS.*

TOTAL CASH - END OF MONTH	

****PLEASE REFER TO FINANCIAL STATEMENTS.*

Please attach copies of bank statements.
****COPIES OF BANK STATEMENTS ATTACHED.*

DEBTOR: A.H.E.R.:
CASE #: 98-25773 through 98-25777 MONTHLY OPERATING REPORT

ACCRUAL BASIS - 7

Payments to Insiders and Professionals

Of the total distributions shown for the month, list the amount paid to insiders [as defined in Section 101(31) (A) - (F) of the U.S. Bankruptcy Code) and to professionals. For payments to insiders, identify the type of compensation paid (e.g. salary, bonus, commission, insurance, housing allowance, travel, car allowance, etc.).

Insiders

Name	Position	Type of Payment	Amount Paid	Cumulative Unpaid Balance
Total Payments to Insiders				

****PLEASE SEE ATTACHED REPORT.*

Professionals

Name	Type of Professional	Date of Court Order Authorizing Payment	Amount Approved	Amount Paid	Total Paid To Date
Total Payments to Professionals					

****PLEASE SEE THE ATTACHED PYAMENT SCHEDULE*

Secured Notes, Leases Payable and Adequate Protection Payments

Name of Creditor	Scheduled Monthly Payments Due	Amounts Paid During Month	Total Unpaid Post-petition
Total			

****NO ADEQUATE PROTECTION PAYMENTS MADE DURING THIS OPERATING PERIOD.*

DEBTOR: A.H.E.R.I
CASE #: 98-25773 through 98-25777 ..ONTHLY OPERATING REPORT

ACCRUAL BASIS - 8

		Yes	No
1.	Have any assets been sold or transferred outside the normal course of business this reporting period?	X	
2.	Have any funds been disbursed from any account other than a debtor in possession account?		X
3.	Are any post-petition receivables (accounts, notes, or loans) due from related period?	X[1]	
4.	Have any payments been made on pre-petition liabilities this reporting period?	X[2]	
5.	Have any post-petition loans been received by the debtor from any party?		X
6.	Are any post-petition payroll taxes past due?		X
7.	Are any post-petition state or federal income taxes past due?		X
8.	Are any post-petition real estate taxes past due?		X
9.	Are any other post-petition taxes past due?		X
10.	Are any amounts owed to post-petition creditors past due?	X[3]	
11.	Have any pre-petition taxes been paid during the reporting period?		X
12.	Are any wage payments past due?	X[4]	

1) *PLEASE SEE FINANCIAL STATEMENTS.*
2) *PRE-PETITION FEDERAL GRANT LIABILITIES, WAGES, BENEFITS AND OTHER PAYMENTS PAID PURSUANT TO COURT APPROVED MOTION.*
3) *PLEASE SEE A/P AGING REPORT.*
4) *POTENTIAL SEVERENCE PAY OF $322,833 FOR AUMP AND $349,228 FOR AUHS HAS BEEN IDENTIFIED. PAYMENTS ARE BEING WITHHELD SUBJECT TO DETERMINATION OF THE APPLICABILITY OF THE OBLIGATION.*

Insurance		Yes	No
1.	Are worker's compensation, general liability, and other necessary insurance coverages in effect?	X	
2.	Are all premium payments paid current? *	X	
3.	Please itemize policies below. ***		

**Tail coverage for Medical malpractice coverage has been acquired and paid for the period subsequent to the sale of the eastern operations as of 11/10/98. It is as yet undetermined whether additional premiums may be required to settle amounts due for medical and malpractice liability and general insurance amounts for periods prior to the sale. Amounts may be due and payable for the physician practices at AUMP-West and AUHS-West that have been retained by AHERF.*
****THESE ARE ON FILE WITH THE COURT (PROVIDED AS PART OF INITIAL OPERATING REPORT FILING).*

Installment Payments

Type of Policy	Carrier	Period Covered	Payment Amount & Frequency

****NONE.*

DEBTOR: A.H.E.R..
CASE #: 98-25773 through 98-25777 ...ONTHLY OPERATING REPORT

ACCRUAL BASIS - 9

[illegible]		[illegible]	[illegible]
1.	Total Number of Employees at Beginning of Period		
2.	Number of Employees Hired During the Period		
3.	Number of Employees Terminated or Resigned During the Period		
4.	Total Number of Employees on Payroll at End of Period		

******PLEASE SEE ATTACHED OPERATIONS REPORT.***

Change of Address

If your mailing address has changed and you have not previously notified the United States Trustees of the change, list your new address below.

Date of Change: ______________________

New Address: ______________________

____

____

******NO CHANGES OF ADDRESS DURING THIS OPERATING PERIOD.***

ALLEGHENY HOSPITALS, CENTENNIAL

CONSOLIDATED FINANCIAL STATEMENTS

November 30, 1998

Printed: 16-Mar-99
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ALLEGHENY HOSPITALS, CENTENNIAL
CONSOLIDATED BALANCE SHEETS
November 30, 1998
(Dollars in thousands)

	November 30,1998	June 30, 1998
Current:		
Cash and short-term investments	$20,939	($7,077)
Investments limited as to use	3,823	12,641
Receivables:		
Patient accounts, less allowance for doubtful accounts of $48,962 at November 30 and $43,554 at June 30	41,339	36,971
Other	4,175	5,920
Inventories	0	3,336
Prepaid expenses	1,630	1,069
Total current assets	74,272	52,860
Investments limited or restricted as to use:		
Unrestricted:		
By Board for designated purposes	3,952	4,055
By financing agreements	14,563	14,245
Temporarily restricted	2	19,408
Permanently restricted	0	5,997
Total investments limited or restricted as to u	18,517	43,705
Property and equipment, net	1,237	145,715
Restricted funds receivable from operations	0	0
Other assets	9,520	9,188
Total assets	$103,546	$251,468

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ALLEGHENY HOSPITALS, CENTENNIAL
CONSOLIDATED BALANCE SHEETS
November 30, 1998
(Dollars in thousands)

LIABILITIES AND NET ASSETS	November 30, 1998	June 30, 1998
Post-Petition Liabilities:		
Current Liabilities:		
Accounts payable	$3,770	$0
Accrued expenses	12,681	0
DIP financing	0	0
Payables to affiliates	9,502	0
Current portion of deferred revenue	23	0
Current portion of self-insurance liabilities	3,820	0
Current portion of long-term debt	(45)	0
Total current liabilities	29,751	0
Long-term Liabilities:		
Long-term debt	105	0
Payables to affiliates	8,318	0
Deferred revenue	0	0
Self-insurance liabilities	0	0
Other noncurrent liabilities	1,075	0
Total long-term liabilities	9,498	0
Total post-petition liabilities	39,249	0
Pre-Petition Long-term Liabilities:		
Accounts payable	27,452	34,248
Accrued expenses	27,326	46,896
Long-term debt	163,507	167,191
Payables to affiliates	35,115	39,234
Operating funds payable to restricted funds	0	0
Deferred revenue	4,248	4,363
Self-insurance liabilities	5,363	10,327
Other noncurrent liabilities	13,116	6,296
Total pre-petition long-term liabilities	276,127	308,555
Total liabilities	315,376	308,555
Net assets:		
Post-petition		
Unrestricted	(122,233)	0
Temporarily restricted	(21,362)	0
Permanently restricted	(5,997)	0
Pre-petition		
Unrestricted	(89,599)	(84,450)
Temporarily restricted	21,364	21,366
Permanently restricted	5,997	5,997
Total net assets	(211,830)	(57,087)
Total liabilities and net assets	$103,546	$251,468

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ALLEGHENY HOSPITALS, CENTENNIAL
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES
for the five months ended November 30, 1998
(Dollars in thousands)

	Year-to-Date
Revenue:	
Inpatient	$66,269
Outpatient	19,976
Capitation	419
Risk contract	(1,008)
Physician services	124
Sponsored projects	(77)
Assets released from restriction	0
Investment income	634
Other	2,240
Total revenue	88,577
Expenses:	
Salaries,wages and fees	37,868
FICA	2,498
Fringe benefits	4,202
Patient care supplies	12,613
Purchased services	11,780
Support & contract costs	13,940
Administrative and general	4,020
Bad debts	7,822
Depreciation and amortization	3,188
Interest	6,462
Total expenses	104,393
Deficiency of revenue over expenses, before discontinued operations and special items	(15,816)
Discontinued Operations:	
Loss on sale of hospital assets	(93,984)
Special items:	
Restructuring costs	(13,746)
Deficiency of revenue over expenses	($123,546)

ALLEGHENY HOSPITALS, CENTENNIAL
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
for the five months ended November 30, 1998
(Dollars in thousands)

	Unrestricted	Restricted Funds: Temporarily Restricted	Restricted Funds: Permanently Restricted
Balances, June 30, 1998	($84,450)	$21,366	$5,997
Deficiency of revenue over expenses	(4,561)		
Restricted:			
Gifts, grants and bequests		6	
Investment income			
Unrealized depreciation of investments			
Transfers:			
(To)/from affiliates:			
AUMP-East	(588)		
Net assets released from restriction		(8)	
Balances, July 20, 1998	($89,599)	$21,364	$5,997
Deficiency of revenue over expenses	(118,987)		
Restricted:			
Gifts, grants and bequests		20	305
Investment income		271	
Transfers:			
(To)/from affiliates:			
AUMP - East	(3,245)		
AUHS - East	(14)		
(To)/from other funds	13	(13)	
Net assets released from restriction		(191)	
Disposal of restricted hospital assets			(6,302)
Deferred revenue and other		(21,449)	
Balances, November 30, 1998	($122,233)	($21,362)	($5,997)
Total Net Assets	($211,832)	$2	$0

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ALLEGHENY HOSPITALS, CENTENNIAL
CONSOLIDATING BALANCE SHEETS
AS OF NOVEMBER 30, 1998
(Dollars in thousands)

	November 30, 1998						
ASSETS	GRADUATE	MT. SINAI	PARKVIEW	CITY AVE.	TOTAL	RECLASS ELIMIN.	GRAND TOTAL
Current:							
Cash and short-term investments	$17,759	$377	($1,666)	$4,469	$20,939		$20,939
Investments limited as to use	3,823	0	0	0	3,823		3,823
Receivables:							
Patient accounts	29,640	0	7,940	3,759	41,339		41,339
Affiliates	1,046	0	1,320	0	2,366		2,366
Other	745	251	2,717	462	4,175		4,175
Inventories	6	(7)	0	1	0		0
Prepaid expenses	1,166	0	214	250	1,630		1,630
Total current assets	54,185	621	10,525	8,941	74,272	0	74,272
Investments limited or restricted as to use:							
Unrestricted:							
By Board for designated purposes	3,838	0	0	114	3,952		3,952
By financing agreements	14,563	0	0	0	14,563		14,563
Temporarily restricted:	0	0	0	2	2		2
Permanently restricted:	0	0	0	0	0		0
Total investments limited or restricted as to u	18,401	0	0	116	18,517	0	18,517
Property and equipment, net	0	1,237	0	0	1,237		1,237
Receivables from affiliates	56,590	0	0	0	56,590	(56,590)	0
Restricted funds receivable from operations	0	0	0	0	0		0
Receivable from GHS	9,520	0	0	0	9,520		9,520
Total assets	$138,696	$1,858	$10,525	$9,057	$160,136	($56,590)	$103,546

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ALLEGHENY HOSPITALS, CENTENNIAL
CONSOLIDATING BALANCE SHEETS
AS OF NOVEMBER 30, 1998
(Dollars in thousands)

	November 30, 1998						
	GRADUATE	MT. SINAI	PARKVIEW	CITY AVE.	TOTAL	RECLASS ELIMIN.	GRAND TOTAL
LIABILITIES AND NET ASSETS							
Post-Petition Liabilities:							
Current Liabilities:							
Accounts payable	2,420	30	519	801	3,770		3,770
Accrued expenses	8,473	2,119	1,011	1,078	12,681		12,681
DIP financing	0	0	0	0	0		0
Payables to affiliates	6,080	91	1,735	1,596	9,502		9,502
Current portion of deferred revenue	23	0	0	0	23		23
Current portion of self-insurance liabilities	1,291	0	1,701	828	3,820		3,820
Current portion of long-term debt	0	0	(45)	0	(45)		(45)
Total current liabilities	18,287	2,240	4,921	4,303	29,751	0	29,751
Long-term Liabilities:							
Long-term debt	9	0	43	53	105		105
Payables to affiliates	0	2,031	2,937	3,350	8,318		8,318
Deferred revenue	0	0	0	0	0		0
Self-insurance liabilities	0	0	0	0	0		0
Other noncurrent liabilities	517	0	269	289	1,075	0	1,075
Total long-term liabilities	526	2,031	3,249	3,692	9,498	0	9,498
Total post-petition liabilities	18,813	4,271	8,170	7,995	39,249	0	39,249
Pre-Petition Long-term Liabilities:							
Accounts payable	17,892	710	3,082	5,768	27,452		27,452
Accrued expenses	16,506	4,450	3,732	2,638	27,326		27,326
Long-term debt	156,744	0	2,807	3,956	163,507		163,507
Payables to affiliates	0	3,453	32,046	56,206	91,705	(56,590)	35,115
Operating funds payable to restricted funds	0	0	0	0	0		0
Deferred revenue	4,207	0	0	41	4,248		4,248
Self-insurance liabilities	2,291	1,165	991	916	5,363		5,363
Other noncurrent liabilities	12,613	132	130	241	13,116		13,116
Total pre-petition long-term liabilities	210,253	9,910	42,788	69,766	332,717	(56,590)	276,127
Total liabilities	229,066	14,181	50,958	77,761	371,966	(56,590)	315,376
Net assets:							
Post-petition							
Unrestricted	(67,786)	(1,182)	(27,195)	(26,070)	(122,233)		(122,233)
Temporarily restricted	(21,362)	0	0	0	(21,362)		(21,362)
Permanently restricted	(5,997)	0	0	0	(5,997)		(5,997)
Pre-petition							
Unrestricted	(22,584)	(11,141)	(13,238)	(42,636)	(89,599)		(89,599)
Temporarily restricted	21,362	0	0	2	21,364		21,364
Permanently restricted	5,997	0	0	0	5,997		5,997
Total net assets	(90,370)	(12,323)	(40,433)	(68,704)	(211,830)	0	(211,830)
Total liabilities and net assets	$138,696	$1,858	$10,525	$9,057	$160,136	($56,590)	$103,546

ALLEGHENY HOSPITALS, CENTENNIAL
CONSOLIDATING BALANCE SHEETS
AS OF NOVEMBER 30, 1998
(Dollars in thousands)

	June 30,1998						
	GRADUATE	MT. SINAI	PARKVIEW	CITY AVE.	TOTAL	RECLASS. ELIMIN.	GRAND TOTAL
Current:							
Cash and short-term investments	($7,612)	($50)	$1,458	($873)	($7,077)		($7,077)
Investments limited as to use	12,641	0	0	0	12,641		12,641
Receivables:							
Patient accounts	29,685	(4,469)	4,517	7,238	36,971		36,971
Other	5,487	26	48	359	5,920		5,920
Inventories	2,408	4	374	550	3,336		3,336
Prepaid expenses	846	8	100	115	1,069		1,069
Total current assets	43,455	(4,481)	6,497	7,389	52,860	0	52,860
Investments limited or restricted as to use:							
Unrestricted							
By Board for designated purposes	3,895	0	0	160	4,055		4,055
By financing agreements	14,245	0	0	0	14,245		14,245
Temporarily restricted:	19,406	0	0	2	19,408		19,408
Permanently restricted	5,997	0	0	0	5,997		5,997
Total investments limited or restricted as to use	43,543	0	0	162	43,705	0	43,705
Property and equipment, net	83,231	7,267	29,106	26,111	145,715		145,715
Receivables from affiliates	55,762	0	0	0	55,762	(55,762)	0
Restricted funds receivable from operations	0	0	0	0	0		0
Other assets	5,977	0	2,668	543	9,188		9,188
Total assets	$231,968	$2,786	$38,271	$34,205	$307,230	($55,762)	$251,468
LIABILITIES AND NET ASSETS							
Pre-Petition Long-term Liabilities:							
Accounts payable	20,491	533	4,804	8,420	34,248		34,248
Accrued expenses	29,049	6,521	6,045	5,281	46,896		46,896
Long-term debt	160,223	0	2,966	4,002	167,191		167,191
Payables to affiliates	0	5,418	33,975	55,603	94,996	(55,762)	39,234
Operating funds payable to restricted funds	0	0	0	0	0		0
Deferred revenue	4,322	0	0	41	4,363		4,363
Self-insurance liabilities	4,299	1,259	2,814	1,955	10,327		10,327
Other noncurrent liabilities	5,571	132	237	356	6,296		6,296
Total pre-petition long-term liabilities	223,955	13,863	50,841	75,658	364,317	(55,762)	308,555
Total liabilities	223,955	13,863	50,841	75,658	364,317	(55,762)	308,555
Net assets:							
Post-petition							
Unrestricted	0	0	0	0	0		0
Temporarily restricted	0	0	0	0	0		0
Permanently restricted	0	0	0	0	0		0
Pre-petition							
Unrestricted	(19,348)	(11,077)	(12,570)	(41,455)	(84,450)		(84,450)
Temporarily restricted	21,364	0	0	2	21,366		21,366
Permanently restricted	5,997	0	0	0	5,997		5,997
Total net assets	8,013	(11,077)	(12,570)	(41,453)	(57,087)	0	(57,087)
Total liabilities and net assets	$231,968	$2,786	$38,271	$34,205	$307,230	($55,762)	$251,468

ALLEGHENY HOSPITALS, CENTENNIAL
CONSOLIDATING STATEMENT OF REVENUE AND EXPENSES
for the five months ended November 30, 1998
(Dollars in Thousands)

	CURRENT YEAR ACTUAL				
	GRADUATE	MT. SINAI	PARKVIEW	CITY AVE.	GRAND TOTAL
Revenue:					
Inpatient	$41,465	($1,285)	$11,248	$14,841	$66,269
Outpatient	12,526	(235)	3,993	3,692	19,976
Capitation	178	0	164	77	419
Risk contract	(223)	0	(295)	(490)	(1,008)
Physician services	0	0	22	102	124
Sponsored projects	(77)	0	0	0	(77)
Assets released from restriction	0	0	0	0	0
Investment income	634	0	0	0	634
Other	1,729	0	295	216	2,240
Total revenue	56,232	(1,520)	15,427	18,438	88,577
Expenses:					
Salaries, wages and fees	20,324	(2)	7,041	10,505	37,868
FICA	1,330	0	463	705	2,498
Fringe benefits	2,159	0	854	1,189	4,202
Patient care supplies	9,765	10	1,310	1,528	12,613
Purchased services	7,741	327	1,636	2,076	11,780
Support & contract costs	9,017	0	2,392	2,531	13,940
Administrative and general	2,782	8	598	632	4,020
Bad debts	5,259	(741)	1,775	1,529	7,822
Depreciation and amortization	1,439	0	687	1,062	3,188
Interest	3,603	124	1,043	1,692	6,462
Total expenses	63,419	(274)	17,799	23,449	104,393
Deficiency of revenue over expenses, before discontinued operations and special items	(7,187)	(1,246)	(2,372)	(5,011)	(15,816)
Discontinued Operations: Loss on disposal of hospital assets	(53,321)	0	(21,637)	(19,026)	(93,984)
Special items: Restructuring costs	(8,683)	0	(2,834)	(2,229)	(13,746)
Deficiency of revenue over expenses	($69,191)	($1,246)	($26,843)	($26,266)	($123,546)

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ALLEGHENY HOSPITALS, CENTENNIAL
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
for the five months ended November 30, 1998
(Dollars in Thousands)

	UNRESTRICTED				
	GRADUATE	MT. SINAI	PARKVIEW	CITY AVE.	TOTAL
Balances, June 30, 1998	($19,348)	($11,077)	($12,570)	($41,455)	($84,450)
Deficiency of revenue over expenses	(2,942)	(64)	(521)	(1,034)	(4,561)
Transfers:					
(To)/from affiliates:					
AUMP-East	(294)		(147)	(147)	(588)
Balances, July 20, 1998	($22,584)	($11,141)	($13,238)	($42,636)	($89,599)
Deficiency of revenue over expenses	($66,249)	($1,182)	($26,322)	($25,234)	($118,987)
Transfers:					
(To)/from affiliates:					
AUMP - East	(1,536)		(873)	(836)	(3,245)
AUHS - East	(14)				(14)
To/from other funds	13				13
Balances, November 30, 1998	($67,786)	($1,182)	($27,195)	($26,070)	($122,233)
Total Net Assets	($90,370)	($12,323)	($40,433)	($68,706)	($211,[illegible])

ALLEGHENY HOSPITALS, CENTENNIAL
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
for the five months ended November 30, 1998
(Dollars in Thousands)

	TEMPORARILY RESTRICTED				
	GRADUATE	MT. SINAI	PARKVIEW	CITY AVE.	TOTAL
Balances, June 30, 1998	$21,364	$0	$0	$2	$21,36
Restricted:					
Gifts, grants and bequests	6				6
Investment income					0
Unrealized depreciation of investments					0
Net assets released from restriction	(8)				(8)
Balances, July 20, 1998	$21,362	$0	$0	$2	$21,364
Restricted:					
Gifts, grants and bequests	20				20
Investment income	271				271
Unrealized depreciation of investments					0
To/from other funds	(13)				(13)
Net assets released from restriction	(191)				(191)
Deferred revenue and other					
Disposal of restricted hospital assets	(21,449)				(21,449)
Post-Petition Balance, November 30, 1998	($21,362)	$0	$0	$0	($21,
Total Net Assets	$0	$0	$0	$2	$2

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ALLEGHENY HOSPITALS, CENTENNIAL
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
for the five months ended November 30, 1998
(Dollars in Thousands)

	PERMANENTLY RESTRICTED				
	GRADUATE	MT. SINAI	PARKVIEW	CITY AVE.	TOTAL
Balances, June 30, 1998	$5,997	$0	$0	$0	$5,99'
Unrealized appreciation/(depreciation) of investments					0
Net assets released from restriction					0
Balances, July 20, 1998	$5,997	$0	$0	$0	$5,997
Gifts, grants and bequests	305				305
Unrealized appreciation/(depreciation) of investments					0
Net assets released from restriction					0
Disposal of restricted hospital assets	(6,302)				(6,302)
Post-Petition Balance, November 30, 1998	($5,997)	$0	$0	$0	($5,997)
Total Net Assets	0	0	0	0	0

ALLEGHENY HOSPITALS, CENTENNIAL
Supporting Footnotes
(Amounts in thousands)

November 30, 1998

Cash and short-term investments: Cash and short-term investments include the following components:

- Cash generated from operations.
- Allocation of proceeds from the DIP Loan. The DIP Loan was paid-off from the proceeds to the sale of eastern entity assets to Tenet Health System on November 10, 1998.
- Allocation of proceeds from the sale transaction.

The allocation of DIP loan and sales proceeds between corporations is included as an attachment to this schedule. The allocation methodology for DIP loan and sale proceeds has not been finalized. The methodology used within these reports is subject to the final agreement of appropriate parties.

Investments limited or restricted as to use: Current and long-term portions of investments limited as to use are primarily bond sinking and debt service reserve funds related to the Series 1991 and 1993 debt issues. $3,838 classified under *board for designated purposes* is a collateral fund for workers compensation claims for Graduate Hospital. Temporary and permanently restricted endowment funds were transferred to Tenet as part of the sales transaction.

Patient accounts receivable: Changes in patient accounts receivable balances reflect increased reserves established for aging receivable balances and a 15% reserve to reflect expected liquidation costs in the collection of outstanding accounts.

Receivable from/payable to affiliates, current: Aggregate amounts due to or from affiliated entities represent amounts due for corporate support or other operating activity. Settlements include allocation of AHERF support for current period, including allocation of restructuring costs and contingent liability. Management is in the process of reconciling and validating all post-petition inter-company amounts as the basis for proposing final settlement adjustments for all corporations.

Other Receivables and prepaid expenses: Balances reflect the expected value of outstanding rent receivables, prepaid rents, security deposits, and miscellaneous prepaid expense amounts.

Property and equipment, net: The asset sales transaction with Tenet included all property, plant and equipment for the sold corporations. Mt. Sinai was not included in the sales transaction and is included at its expected liquidation value to the estate.

Receivable from affiliates, long-term: Pre-petition payables and receivables reported for each affiliated entity were consolidated through the AHERF parent entity. Balance represents the pre-petition amount due from AHERF as of the date of this report. The receivable balance is consolidated against the pre-petition payable to affiliates for financial statement purposes.

Restricted funds receivable from operations: Restricted funds receivable from operations was transferred to Tenet as part of sales transaction.

Accounts payable and accrued expenses: The change in balances reflects a refinement in the classification of pre- and post-petition liabilities.

Long-term liabilities: Balance includes primarily long-term amounts due to AHERF reported for Mt. Sinai, Parkview, and City Avenue. Management is in the process of reconciling and validating all post-petition inter-company amounts as the basis for proposing final settlement adjustment for all corporations.

Pre-petition liabilities: Pre-petition liabilities have not been reconciled to amounts being accumulated by claims administrators compiling data for the bankruptcy proceedings. Total pre-petition claims may change materially as a result of their work.

Discontinued operations/Special items (statement of operations): These amounts include the calculated loss from the sale of eastern corporation assets to Tenet and restructuring costs related to corporate downsizing and activities of the bankruptcy.

Inter-company Support: Final analysis to identify and settle amounts related to inter-company support is in process. Any adjustments related to these settlements will be recorded in future financial statements.

AHERF et. al.
Allocation of the DIP Loan and Sale Transaction Proceeds

(In thousands)

	AUH, East	Centennial	AUHS-East	AUMP-East	AHERF	Total
Allocation of DIP Proceeds (A)	$ 35,510	$ 13,654	$ 15,188	$ 5,886	$ 14,152	$ 84,391
Distribution of Net Sale Proceeds before cure amounts (B	$ 91,679	$ 37,780	$ 35,070	$ (2,396)	$ 3,744	$ 165,877
Less Escrow Proceeds					(33,000)	(33,000)
Less Cure Amounts	(6,646)	(2,845)	(1,912)	(1,605)	(992)	(14,000)
Adjusted Allocation of Net Proceeds	85,032	34,935	33,158	(4,001)	(30,247)	118,877
Less Allocation of DIP Borrowings	(35,510)	(13,654)	(15,188)	(5,886)	(14,152)	(84,391)
Less Allocation of DIP Loan Fees	(1,314)	(505)	(562)	(218)	(524)	(3,122)
Net Allocated Proceeds	48,208	20,776	17,407	(10,105)	(44,923)	31,364
Escrow Funds:						
Cure	6,646	2,845	1,912	1,605	992	14,000
Indemnity Escrow					33,000	33,000
Grant Fund Escrow						
Total Endowments (C)	6,646	2,845	1,912	1,605	33,992	47,000
Total Allocated Funds per Financial Statements (A+B)	$ 54,854	$ 23,621	$ 19,319	$ (8,500)	$ (10,931)	$ 78,364
Allocated Cash per the Financial Statements (A+B+C)	$ 90,365	$ 37,275	$ 34,508	$ (2,614)	$ 3,221	$ 162,754

(A) DIP loan proceeds allocated based on cash losses by entity for the period 7/21/98 to 11/9/98.
(B) Transaction proceeds allocated based on net book value of assets transferred to Tenet, with adjustment for direct identification of certain adjustments to the sales price.

ALLEGHENY UNIVERSITY MEDICAL PRACTICES

CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 1998

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ALLEGHENY UNIVERSITY MEDICAL PRACTICES
CONSOLIDATED BALANCE SHEET
November 30, 1998
(Dollars in thousands)

ASSETS

	November 30, 1998	June 30, 1998
Cash and short-term investments	($18,213)	$449
Patient accounts receivable, net	12,075	17,908
Other current assets	3,806	5,368
Total current assets	(2,332)	23,725
Property, Plant & Equipment -Net	14,698	16,998
Other Assets	411	1,034
Receivable from affiliates, net	11,770	3083
Total assets	$24,547	$44,840

LIABILITIES AND NET ASSETS

	November 30, 1998	June 30, 1998
Post-Petition Liabilities:		
Accounts payable and accrued expenses	$10,429	$0
DIP financing	0	0
Advance from parent	4,080	
Total current liabilities	14,509	0
Payable to affiliates, net	4,605	0
Other long-term liabilities	1,106	0
Total post petition liabilities	20,220	0
Pre-Petition Liabilities:		
Accounts payable and accrued expenses	9,310	15,517
Current portion of long-term debt	785	2,970
Advance from parent	0	3,209
Long-term capital lease obligations	52	61
Notes Payable	16,725	16,725
Other long-term liabilities	2,471	937
Payable to affiliates, net	4,459	5,104
Total pre-petition liabilities	33,802	44,523
Total liabilities	54,022	44,523
Net assets		
Post-petition unrestricted	(29,792)	0
Pre-petition unrestricted	317	317
Total net assets	(29,475)	317
Total liabilities and net assets	$24,547	$44,840

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[redacted]

ALLEGHENY UNIVERSITY MEDICAL PRACTICES
CONSOLIDATED STATEMENT OF REVENUE AND EXPENSES
for the five months ended November 30,1998
(Dollars in thousands)

	Year-to-Date
Revenue	
Professional fees	$30,982
Capitation	21,319
Investment income	(48)
Other	3,513
Total revenue	55,766
Expenses	
Salaries, wages and fees	52,238
FICA	1,928
Fringe benefits	4,252
Patient care supplies	4,873
Purchased services - Other	16,458
Administrative and general	2,787
Bad debt	3,276
Depreciation and amortization	921
Interest	371
Total expenses	87,104
Income/(loss) from operations	(31,338)
Special items:	
Restructuring costs	(7,717)
Loss on sale of assets	(11,847)
Total special items	(19,564)
Excess/(deficiency) of revenue over expenses	($50,902)

ALLEGHENY UNIVERSITY MEDICAL PRACTICES
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
for the five months ended November 30,1998
(Dollars in thousands)

	Total
Balance, June 30, 1998	$317
Deficiency of revenue over expenses	(2,833)
Transfer from affiliates:	
Operations Support	2,833
Balance July 20, 1998	$317
Deficiency of revenue over expenses	(48,069)
Unrealized appreciation of investments	2
Transfer from affiliates:	
Operations Support	18,275
Balance November 30, 1998	($29,792)
Total Net Assets	($29,475)

CONSOLIDATING BALANCE SHEETS

November 30, 1998

(Dollars in thousands)

ASSETS

	East	West	Total
Cash and short-term investments	($18,213)	$0	($18,213)
Patient accounts receivable, net	8,462	3,613	12,075
Other current assets	1,001	2,805	3,806
Total current assets	(8,750)	6,418	(2,332)
Property, Plant & Equipment -Net	2	14,696	14,698
Other Assets	0	411	411
Receivable from affiliates, net	11,770	0	11,770
Total assets	$3,022	$21,525	$24,547

LIABILITIES AND NET ASSETS

	East	West	Total
Post-Petition Liabilities:			
Accounts payable and accrued expense	$8,229	$2,200	$10,
DIP financing	0	0	0
Advance from parent	0	4,080	4,080
Total current liabilities	8,229	6,280	14,509
Payable to affiliates, net	703	3,902	4,605
Other long-term liabilities	708	398	1,106
Total post petition liabilities	9,640	10,580	20,220
Pre-Petition Liabilities:			
Accounts payable and accrued expense	4,884	4,426	9,310
Current portion of long-term debt	785	0	785
Long-term capital lease obligations	48	4	52
Notes Payable	725	16,000	16,725
Other long-term liabilities	2,331	140	2,471
Payable to affiliates, net	0	4,459	4,459
Total pre-petition liabilities	8,773	25,029	33,802
Total liabilities	18,413	35,609	54,022
Net assets			
Post-petition unrestricted	(22,638)	(7,154)	(29,792)
Pre-petition unrestricted	7,247	(6,930)	317
Total net assets	(15,391)	(14,084)	(29,475)
Total liabilities and net assets	$3,022	$21,525	$24,547

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ALLEGHENY UNIVERSITY MEDICAL PRACTICES
CONSOLIDATING BALANCE SHEETS
June 30, 1998
(Dollars in thousands)

ASSETS

	East	West	Total
Cash and short-term investments	$449	$0	$449
Patient accounts receivable, net	14,391	3,517	17,908
Other current assets	2,129	3,239	5,368
Total current assets	16,969	6,756	23,725
Property, Plant & Equipment -Net	1,149	15,849	16,998
Other Assets	0	1,034	1,034
Receivable from affiliates, net	3,083		3,083
Total assets	$21,201	$23,639	$44,840

LIABILITIES AND NET ASSETS

	East	West	Total
Accounts payable and accrued expense	$9,540	$5,977	$15,
Current portion of long-term debt	2,970	0	2,970
Advance from parent	0	3,209	3,209
Total current liabilities	12,510	9,186	21,696
Long-term capital lease obligations	56	5	61
Notes Payable	725	16,000	16,725
Other long-term liabilities	663	274	937
Payable to affiliates, net	0	5,104	5,104
Total liabilities	13,954	30,569	44,523
Net assets	7,247	(6,930)	317
Total liabilities and net assets	$21,201	$23,639	$44,840

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ALLEGHENY UNIVERSITY MEDICAL PRACTICES
CONSOLIDATING STATEMENT OF REVENUE AND EXPENSES
for the five months ended November 30, 1998
(Dollars in Thousands)

	Current Year-to-Date		
	East	West	Total
Revenue			
Professional fees	$18,182	$12,800	$30,982
Capitation	10,767	10,552	21,319
Investment income	0	(48)	(48)
Other	450	3,063	3,513
Total revenue	29,399	26,367	55,766
Expenses:			
Salaries, wages and fees	29,436	22,802	52,238
FICA	1,061	867	1,928
Fringe benefits	2,856	1,396	4,252
Patient care supplies	1,500	3,373	4,873
Purchased services	9,006	7,452	16,458
Administrative and general	1,496	1,291	2,787
Bad debts	2,878	398	3,276
Depreciation and amortization	0	921	921
Interest	265	106	371
Total expenses	48,498	38,606	87,104
Excess/(deficiency) of revenue over expenses, before special items	(19,099)	(12,239)	(31,338)
Special items:			
Restructuring costs	(4,064)	(3,653)	(7,717)
Loss on sale of assets	(11,847)	0	(11,847)
Total special items	(15,911)	(3,653)	(19,564)
Excess/(deficiency) of revenue over expenses	($35,010)	($15,892)	($50,902)

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ALLEGHENY UNIVERSITY MEDICAL PRACTICES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
for the five months ended November 30,1998
(Dollars in thousands)

	East	West	Total
Balance, June 30, 1998	$7,247	($6,930)	$317
Deficiency of revenue over expenses	(1,922)	(911)	(2,833)
Transfer from affiliates:			
Operations Support	1,922	911	2,833
Balance July 20, 1998	$7,247	($6,930)	$317
Deficiency of revenue over expenses	(33,088)	(14,981)	(48,069)
Unrealized appreciation of investments	0	2	2
Transfer from affiliates:			
Operations Support	10,450	7,825	18,275
Balance November 30, 1998	($22,638)	($7,154)	($29,792)
Total Net Assets	($15,391)	($14,084)	($29,475)

ALLEGHENY UNIVERSITY MEDICAL PRACTICES
Supporting Footnotes
(Amounts in thousands)

November 30, 1998

WEST REGION

Cash and short-term investments: Previously allocated DIP borrowings of $14,402 as of October 31, 1998 were reversed during the month of November. The DIP liability was paid-off from the proceeds of the sale of eastern entity assets to Tenet Health System on November 10, 1998. Proceeds from the DIP borrowing were used to fund operating losses during the term of the Loan. The proceeds were allocated to the eastern entities to fund operating losses, with excess proceeds allocated to the AHERF Parent corporate entity. As such, AHERF has funded cash deficits for the Western filed entities. For the period ended November 30, 1998 a $4,080 payable has been recorded as an amount due to AHERF for the funding of cash deficits for AUMP-West, creating a zero cash balance as of this date.

Patient accounts receivable: Certain patient receivables were transferred to Tenet as part of the sales transaction. Value of receivables not taken by Tenet has been reserved based on estimated future collections on outstanding accounts.

Other Current Assets: Other current assets include $965 of inventories for drugs, $211 of pre-paid expenses (including $166 of prepaid insurance expense), and $1.600 of pre-paid rent. During the month of November a $2,400 receivable due from Health America was reserved at 100 percent as uncollectible.

Property, plant, and equipment: The net book value of property, plant, and equipment by asset component is summarized below.

Asset Component	Gross Asset Value	Accumulated Depreciation	Book Value
Land	$809	$-	$809
Buildings	4,204	466	3,738
Leasehold improvements	6,685	1,518	5,167
Fixed equipment	7	5	2
Movable equipment	7,584	3,750	3,834
Construction-in-progress	1,146	-	1,146
Total	$20,435	$5,739	$14,696

Included in these assets is an estimated $5-$6 million of assets related to practices whose physician contracts have been rejected.

TAB 3

In The Matter Of:

AHERF v.
PRICEWATERHOUSECOOPERS, LLP

CHARLES P. MORRISON
June 29, 2004

LEGALINK MANHATTAN

420 Lexington Avenue - Suite 2108
New York, NY 10170
PH: 212-557-7400 / FAX: 212-692-9171

MORRISON, CHARLES P. - 30(b)(6)

LEGALINK
A WORDWAVE COMPANY

DEPOSITION OF CHARLES MORRISON, a witness, called by the Defendant for examination, in accordance with the Federal Rules of Civil Procedure, taken by and before Anthony Jude Cordova, RPR, a Court Reporter and Notary Public in and for the Commonwealth of Pennsylvania, at the offices of Manion, McDonough & Lucas, U.S. Steel Tower, 14th Floor, Pittsburgh, Pennsylvania, on Tuesday, May 13, 2003, commencing at 9:06 a.m.

APPEARANCES:

FOR THE PLAINTIFF:
J. Kevin Cogan, Esq.
JONES DAY REAVIS & POGUE
41 South High Street, Suite 1900
Columbus, OH 43215-6113
614-469-3939
-and-
Mark Tamburri, Esq.
JONES DAY REAVIS & POGUE
One Mellon Bank Center, 31st Floor
Pittsburgh, PA 15219
412-258-2300

FOR THE DEFENDANT:
Antony L. Ryan, Esq.
Avrum Luft, Esq.
CRAVATH SWAINE & MOORE
Worldwide Plaza
825 Eighth Avenue
New York, NY 10019
212-474-1986

FOR THE WITNESS:
Ronald Crouch, Esq.
MCGUIRE WOODS, LLP
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625 Liberty Avenue
Pittsburgh, PA 15222
412-667-6000

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* INDEX OF EXHIBITS *

(Exhibits were retained by Mr. Ryan)

- - - -

MR. RYAN: Anthony Ryan from Cravath, Swaine & Moore, LLP representing the defendant PriceWaterhouseCoopers, LLP.

MR. CROUCH: Ron Crouch with McGuire Woods representing the deponent and the Chapter 11 trustee.

MR. COGAN: Good morning. Kevin Cogan of the law firm of Jones Day appearing on behalf of the plaintiff, the unsecured creditors committee.

- - - -

CHARLES MORRISON,
being first duly sworn,
was examined and testified as follows:

- - - -

EXAMINATION

- - - -

BY MR. RYAN:
Q. Good morning.
A. Good morning.
Q. Could you, please, state your full name for the record?
A. Charles Morrison.
Q. And your address?

A. 206 Abbey Brook Lane, Venetia, Pennsylvania.
Q. And by whom are you employed?
A. Allegheny Health Education and Research Foundation.
Q. And in what capacity?
A. My title is liquidation officer. I support the bankruptcy-appointed trustee in the business issues related to the liquidation of AHERF.
Q. Is that a full-time job?
A. I work currently one day a week.
Q. And how long have you been the liquidation officer?
A. Since the liquidating plan of reorganization was approved in December of 2000.
Q. Is it all right if we use the term AHERF to refer to the Allegheny Health Education and Research Foundation?
A. Yes.
Q. When did you first start to work at AHERF?
A. April of 1989.
Q. And what was your job at that time?
A. My title was assistant vice president for financial planning and budgeting -- for -- I'm sorry. I was employed at that time by the Medical College of Pennsylvania. I was

employed by AHERF, I believe, in 1991.
Q. So, in 1989, you started working at the Medical College of Pennsylvania?
A. Correct.
Q. And that's also known at MCP?
A. Correct.
Q. And that was a hospital and medical school located in Philadelphia?
A. Correct.
Q. Was that already affiliated with AHERF at the time that you started working there?
A. Yes.
Q. And where did you work before you came to work at MCP?
A. Price Waterhouse.
Q. And how long did you work for Price Waterhouse?
A. From August of 1981 till March of 1989.
Q. And at the time you worked for Price Waterhouse, was the firm affiliated in any way with Coopers & Lybrand?
A. No.
Q. Those 2 firms have merged since?
A. That's my understanding.
Q. When you started working at MCP in 1989, were you a Certified Public Accountant?

A. Yes.
Q. To whom did you report at MCP in 1989?
A. Irene Thompson.
Q. And did she, at some point in time, change her name to Irene Cummings?
A. Yes.
Q. And what was her position?
A. She was the chief financial officer for MCP at the time.
Q. And at the time, was Ms. Thompson the person who had responsibility for preparing financial statements for MCP?
A. Yes.
Q. And did you play any role in that?
A. I was eventually assigned those responsibilities, yes.
Q. When?
A. I don't recall exactly when it would have been; sometime during the latter part of 1989, I believe.
Q. And what role did you play, then, in preparing MCP's financial statements?
A. I supervised the general accounting department, I supervised the grant accounting department, the third-party reimbursement function,

accounts payable, payroll, as well as budgeting and decision support functions.
Q. Is that, in effect, roughly the same job for MCP that Steve Spargo later had for AHERF as a whole?
A. Much of those responsibilities were ultimately transferred to Pittsburgh, and Steve was responsible for those, yes, with the exception of grant accounting.
Q. And when did that transfer to Pittsburgh occur?
A. My recollection is that occurred in 1993, I believe. I'm not entirely certain.
Q. Why don't we just back up a minute? Did your job title change between when you started at MCP in 1989 and when AHERF filed for Chapter 11 in 1998?
A. It changed, yes, and I believe it was 1991, I was promoted to vice president for the eastern region, and in 1993, when Irene Cumming left, I promoted to senior vice president and chief financial officer for the eastern region of AHERF's operations.
Q. And did you continue to hold that title from 1993 to 1998?
A. Until August of 1998, yes.

Q. What role did you play in the 1989 to 1993 time frame in interacting with external auditors?
A. My responsibilities included the preparation of financial statements, and from '89 through the -- I believe it was the 1992 fiscal year audit, we -- I and my staff supported the audit process. The audit was conducted by Coopers & Lybrand in -- out of the Philadelphia office.
Q. And with whom from Coopers & Lybrand did you interact during those audits?
A. The partner on the engagement was Clark Cable. There were managers on the job that I don't recall what their names were.
Q. So, if I understood you right, from 1989 to 1993, you reported to Irene Thompson?
A. Yes.
Q. After she left the organization, to whom did you report?
A. David McCullough.
Q. And after certain accounting functions were consolidated to Pittsburgh, who had responsibility for preparing east region financial statements?
A. The corporate services department here in

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CHARLES P. MORRISON

MR. FRIEDMAN: Objection to the form.

Q Do you know to whom those professional fees in the amount of approximately $2 million were paid?

A KPMG was engaged to provide the grant accounting support.

Q Do you know whether that firm was paid an amount of approximately $2 million related to that project?

A I don't recall what the exact amount of the payment was, but they were paid a substantial amount, yes.

Q Is it your understanding that the payment of that amount came directly out of the $345 million gross purchase price for the eastern region assets, rather coming out of the general funds of the estates?

MR. FRIEDMAN: Objection to the form.

A Yes.

Q I am going to skip these various fees and amounts that aren't that large, at least as they relate to a $345 million amount,

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CHARLES P. MORRISON

but I think the next large amount is on Page 2.

Do you see there there is item 15 which reads, "Total Aetna Contract Settlement" in the amount of $12,500,000?

A Yes.

Q Do you have an understanding as to what that represents?

A Those were payments to Aetna to induce them to accept the assignment of the provider agreement between AHERF and Aetna with I believe a substitution of Tenet for AHERF; a cure payment, essentially.

Q That is an amount that Aetna asked for so that Tenet could assume the existing contract between Aetna and AHERF or eastern region AHERF entities?

A Yes.

MR. FRIEDMAN: Objection to the form.

Q Is it your understanding that $5 million of the $12.5 million paid to Aetna was contributed by Tenet and $7 million came out of the $345 million gross purchase price for the eastern region assets?

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CHARLES P. MORRISON

A That's my understanding, yes.

Q Now, do you see item 17 is referred to as "DIP Financing Payoff" in the amount of $87,512,723?

A Yes.

Q Do you have an understanding as to what that represents?

A Those were draws on the Debtor in Possession financing that the Debtors' estates put in place shortly after the bankruptcy filing.

Q That was provided, I gather, by an entity called Madeline LLC?

A Yes.

Q Was that an amount in essence to cover the operating losses of the Debtor entities from the time of the bankruptcy filing on July 21, 1998 until the time of the sale of assets to Tenet on November 10, 1998?

MR. FRIEDMAN: Objection to the form.

MR. COGAN: Objection.

A That represents the cash flow shortfall during that time period.

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CHARLES P. MORRISON

Q So, not an accrual accounting loss, but a net cash outflow from the Debtor entities over that almost four month period?

MR. FRIEDMAN: Objection to the form.

A Yes, the cash flow shortfall during that period.

MR. FRIEDMAN: Could we take a short break before you move on to the next document?

MR. RYAN: Sure.

THE VIDEOGRAPHER: We are going off the record at 10:27 a.m.

(At this point in the proceedings there was a recess, after which the deposition continued as follows:)

MR. RYAN: Let's mark this as Exhibit 2746.

(The above described document was marked Exhibit 2746 for identification as of this date.)

THE VIDEOGRAPHER: We are back on the record at 10:34 a.m.

Q Do you have in front of you, Mr.

CHARLES P. MORRISON

Morrison, what we have marked as Exhibit 2746?
A Yes.
Q Is this what's entitled a monthly operating report for the month ending November 30, 1998?
A Yes.
Q Is this a report that you prepared?
A It's a report that my staff prepared, yes.
Q Is that your signature on the cover page of the document?
A Yes, it is.
Q Could you explain in general terms, please, what the monthly operating reports for the bankrupt AHERF entities are?
A They are reports required by the United States Trustee's office for all Debtors that collect information that the Trustee's office, the U.S. Trustee's office deems appropriate for monitoring the cases within the Bankruptcy Court.
Q And the U.S. Trustee is a different person from the Chapter 11 Trustee,

CHARLES P. MORRISON

is that right?
A Yes.
Q The U.S. Trustee is a government employee, an officer of the government?
A Yes.
Q And the Chapter 11 Trustee is Mr. Scharffenberger, who's a private individual, right?
A Yes.
Q Now, if you could turn, please, to Page 95 from Exhibit 2746, do you see here a schedule entitled "Allocation of the DIP Loan and Sale Transaction Proceeds"?
A Yes.
Q Do you see there an amount of $84,391,000 that is referred to in the first row as allocation of DIP proceeds, and is then referred to in the sixth row or so as allocation of DIP borrowing?
A Yes.
Q And there is an additional item referred to as allocation of DIP loan fees, and that's in the amount of $3,122,000?
A Yes.

CHARLES P. MORRISON

Q Is the sum of those two items the $87 513,000 or so, is that the same amount in your understanding as the DIP financing payoff that was item 17 in Exhibit 2744?
A Yes.
Q So, of the $87.5 million, in effect $84.4 million, rounding the numbers, is the net cash loss of the Debtor entities over that three or four month period, and then $3.1 million is, in effect, the interest or financing charge charged by Madeline?
MR. FRIEDMAN: Objection to the form.
Q Is that your understanding?
A I believe that would be financing charges and other loan related fees, yes, the $3,122,000.
Q Now, the $84.4 roughly million cash losses are allocated in this schedule to the five Debtor entities, is that right?
A Yes.
Q What was the basis for that allocation?
A To the best of my recollection,

CHARLES P. MORRISON

that was based on an accounting analysis of the cash flow losses at each of those Debtor entities.
Q So that includes a $14.152 million cash loss at AHERF, the parent corporation, even though that was not an entity from which assets were sold to Tenet, is that right?
MR. FRIEDMAN: Objection to the form.
A There was AHERF assets in Philadelphia that were transferred to Tenet as part of the asset sale.
The $14 million would have been the estimate of the cash flow losses related to AHERF, yes.
Q Related to all of AHERF, the parent?
A Related to AHERF, the parent, yes.
Q Now, I notice that AUHS-West and AUMP-West not reflected on this schedule, is that right?
A Yes, that's correct.

TAB 4

In The Matter Of:

AHERF v.
PRICEWATERHOUSECOOPERS, LLP

ROBERT BRUCE DEN UYL
March 8, 2005

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(Question read.)
A. Is there a way you can rephrase that for me.
Q. I can break it apart. Let's take a hypothetical DVOG credit and let's hypothesize for a moment that the Graduate acquisition had never occurred, so it's out of the picture. AHERF is in bankruptcy, it has some assets, not enough, and let's suppose for a moment that the DVOG claimant gets 10 cents on the dollar allowed a claim. Now the scenario is different, the Graduate acquisition did happen, the Graduate assets as they did become are made part of the consolidated estate and Graduate claimants are paid off at this 30 percent rate. Would you agree with me that depending on the ratio of Graduate assets to claims, that the inclusion of Graduate in the consolidated estate might have the affect of causing other creditors to recover at a lower rate, perhaps 9 cents on the dollar, that's one possible affect, correct?
A. Yes.
Q. If the percentages turned out a little differently another possible affect is

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that the inclusion of the Graduate estate in the consolidated estate could cause other claimants to achieve a higher recovery, perhaps 11 cents on the dollar?
A. Yes.
Q. Or if the percentages were all done just right it would have no affect on the other claimants and they would get 10 cents on the dollar, correct?
A. Yes.
Q. Do you have any opinion as you sit here today as to which of those three possibilities, the real historical inclusion of the Graduate estate in the consolidated estate actually caused for other creditors?
A. I certainly haven't analyzed that. I think you need to look in all the payments to the Centennial bondholders vis-a-vis the others to analyze it, but I have not analyzed it.
Q. Let me take you to your rebuttal report, page 22. There at the end of the first paragraph you state "the Centennial creditors" -- pardon me, that's not what I want. The middle of that paragraph you state Centennial

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creditors "receive recoveries that might otherwise have been provided to non-Centennial creditors", do you see that?
MS. MEADEN: I don't, can you tell me where you are.
Q. The sentence begins "Moreover" and it's in the middle of the top paragraph.
MS. MEADEN: Thank you.
Q. The language is the assertion that the Centennial creditors "receive recoveries that might otherwise have been provided to non-Centennial creditors"?
A. Yes.
Q. It is equally true, is it not, that as a result of the consolidation with Graduate, the AHERF estate contained assets that would otherwise have been provided solely to Graduate creditors?
A. Could you repeat that?
(Question read.)
A. If they were standing on their own, yes.
Q. Let me ask you to turn to page 8 of your initial report. This just for context is a

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exhibit that you referred to in connection with your creditor shortfall method of damage calculation. If I cause you any doubt or concern I urge you to go back and check that, but that's my understanding. In preparing this calculation you have used the allowed claims values for these various categories, correct?
A. Yes.
Q. Why for purposes of your creditor shortfall calculation did you use the allowed claims?
A. Because under that theory we're looking to see what the shortfall is given the allowed claims. In other words, the claims of these entities may be greater, but they are only allowed this amount, so all I'm saying is that given that allowance here's what the shortfall is.
Q. Have you ever advised a debtor in bankruptcy in any context?
A. Sure.
Q. In that context is it your experience that in bankruptcy claims are filed which are without substantive merit?

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A. In some cases.
Q. That does happen, right?
A. It does happen, depending on whose view it is.
Q. In general, indeed creditors rush to file any claims they can think of and sort out later which are actually legally valid, correct?
MS. MEADEN: Objection, foundation.
A. The experience varies. There may be some people that set forth claims that ultimately turn out to be, well normally they are reduced, whether it's because they are overstated or through a process of just the court trying to dwindle down the claims.
Q. One reason a court will disallow a claim in bankruptcy is a conclusion that there was no such obligation as to a legal matter, correct?
A. That would be one reason, yes.
Q. In your experience where an obligation would have been legally enforceable outside of bankruptcy, it will generally be allowed as a claim inside a bankruptcy, correct?

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A. Not necessarily. My experience has been that generally the allowed claims are probably less than what someone might recover outside of the bankruptcy context.
Q. In fact, as part of the bankruptcy process the Bankruptcy Court sets about determining which of the asserted claims are legitimate legally enforceable debts and which are not, correct?
A. It tries to do that, yes.
Q. Those which it concludes are not legitimately legally enforceable debts it disallows?
MS. MEADEN: Objection, foundation, vague.
A. I think that's the hope, but again my experience is that many liabilities are not allowed that may be outside of the context of a bankruptcy proceeding might be valid liabilities.
Q. Let me ask you to turn to page 21 of your rebuttal report. There at the top of the page is a reference to your calculation of avoidable cost damages related to the Centennial

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acquisition, you state "I intentionally and appropriately measured the Centennial liabilities as the total liabilities remaining after the Tenet sale and not by the Centennial claims that were allowed in bankruptcy", do you see that?
A. Yes.
Q. The figure that you relied on was simply the total remaining asserted claims against Centennial in bankruptcy after the Tenet sale, is that right?
A. What number?
Q. When you referred to the total liabilities remaining after the Tenet sale?
A. Yes.
Q. What you used as the total liabilities remaining for purposes of your avoidable costs analysis was simply the total remaining asserted claims against Centennial after the Tenet sale, is that correct?
A. Well, it was actually looking at the balance sheets and adding up all the liabilities that existed as of that time.
Q. Did you make any effort to

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determine which of those asserted liabilities were likely to be legitimate legally enforceable debts?
A. As far as I know they all were.
Q. Did you make any effort to understand the discrepancy between that value and the value of claims ultimately allowed by the Bankruptcy Court against Centennial?
A. I don't know the process for all of the reasons why the court didn't allow all those liabilities. I do know there were liabilities on a balance sheet, they were valid liabilities as of the time, so there was no reason to believe that they weren't legally enforceable liabilities.
Q. Let me show you what has been previously marked as Exhibit 2746 which is a monthly operating report for the month ending November 30, 1998 from the trustee in bankruptcy. Is this a document that you used in arriving at your figure for the total liabilities of Centennial?
A. It could have been.
Q. To the extent that the bankruptcy

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court ultimately decided that certain liabilities on the Centennial balance sheet were not legally enforceable, do you have any basis to disagree with that conclusion by the Bankruptcy Court?
A. I don't know that the bankruptcy court -- I would be interested in seeing anything I said that any of these claims weren't legally enforceable. Obviously the bankruptcy court determined the allowed claims, that doesn't mean necessarily that the other claims aren't legally enforceable.
Q. Excuse me Mr. Den Uyl, you would agree would you not that for an entity in bankruptcy, if the bankruptcy court disallows a claim it's not legally enforceable, correct?
A. After bankruptcy.
Q. Right.
A. Right. My damage calculation doesn't depend on the bankruptcy, it's if AHERF had not acquired Centennial what would they have avoided in terms of losses.
Q. To the extent you are measuring debts which the Bankruptcy Court ultimately

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deems not allowable, those debts are potentially losses to the creditors but are no longer obligations of or losses to AHERF, would you agree?
MS. MEADEN: Objection.
MR. WHITNEY: Calls for a legal conclusion.
(Question read.)
A. I can't answer that.
Q. Let me take you to a hypothetical scenario. Assume that history proceeded as it did proceed to the point that the Graduate hospitals were merged into SDN but for whatever reason AHERF never became the sole member of SDN or in any other way became affiliated with SDN and then AHERF goes bankrupt. In that context the Graduate entities would have been liable to their creditors, correct?
MS. MEADEN: Objection, calls for a legal conclusion.
A. Unless they were subsequently consolidated.
Q. The other AHERF entities would not have been liable to Graduate or Centennial

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creditors, correct?
MS. MEADEN: Same objection.
Q. Unless they were substantively consolidated?
A. Right.
Q. Now let's go back to the real historical situation in which Graduate hospitals are merged into SDN, at a later point in time AHERF becomes the sole member of SDN and then the bankruptcy occurs. In that context up to the point of consolidation in the bankruptcy, the Graduate entities were liable to the Graduate creditors, correct?
MS. MEADEN: Calls for a legal conclusion, objection.
A. Yes, given my lay understanding that's right, but I can't say from a legal perspective.
Q. But you can say from the perspective of somebody who's dealt with a lot of entities and a lot of debt obligations, correct?
MS. MEADEN: Objection, he said it's his lay opinion.

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A. Yes. Again, I haven't reviewed the documents, the legal documents.
Q. In your lay opinion in this second scenario, the real world scenario, up to the point of consolidation in the bankruptcy, the other AHERF entities had no obligation to Graduate creditors, correct?
A. Again, I think it's sort of form over substance. I think as part of AHERF, AHERF as long as they owned Graduate or Centennial would have continued to support it in whatever way they could.
Q. Do you believe that the various obligated group structures within AHERF were simply form over substance?
A. No, I think they are obviously there for a reason. What I was saying was that from an operational standpoint it's my experience that one will support even though there be a legal obligation to a group of bondholders, as part of a larger entity that entity will support that separate legal entity.
Q. That is it will choose voluntarily to subsidize a legally distinct subsidiary?